

Message Text

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PAGE 01 STATE 146948

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ORIGIN COME-00

INFO OCT-01 EUR-25 IO-13 ADP-00 AID-20 EB-11 NSC-10 RSC-01

CIEP-02 TRSE-00 SS-15 STR-08 OMB-01 CEA-02 CIAE-00

FRB-02 INR-10 NSAE-00 LAB-06 SIL-01 L-03 FTC-01 PA-03

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COM/OIFI/VTRAVAGLINI STR/JSHOWE (SUBS.)

COM/OIFI/FSHAEAFFER STATE/EUR/RPE/AALBRECHT

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STATE/EB/OT/TA/JCRAWFORD

STATE/EB/OT/STA/RWINSTANLEY

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TO USMISSION EC BRUSSELS

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

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AMEMBASSY ROME

USMISSION GENEVA

USMISSION OECD PARIS

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PAGE 02 STATE 146948

TAGS: EIND EEC ETEL

FROM COMMERCE

SUBJ: EC COMMISSION DRAFT MEMORANDUM ON COMPUTER POLICY

REF: (A) EC BRUSSELS A-148, (B) EC BRUSSELS 3643

1. WE APPRECIATE MISSION'S TIMELY REPORTING ON DRAFT EC COMPUTER POLICY, TONE AND IMPORTANT FEATURES OF WHICH APPEAR OBJECTIONABLE IN PRINCIPLE AND POTENTIALLY DETRIMENTAL TO U.S. INTERESTS. PRESENT PROPOSAL IS BLUEPRINT FOR COORDINATED EFFORT TO INCREASE COMPETITIVE CAPABILITIES OF EUROPEAN FIRMS SO AS TO SUBSTANTIALLY INCREASE THEIR SHARE OF EC MARKET. METHODS PROPOSED, INCLUDING CARTELIZATION OF EC COMPUTER INDUSTRY, DISCRIMINATION IN GOVERNMENT PROCUREMENT PRACTICES, DEVELOPMENT OF EXCLUSIVE EC STANDARDS AND SUBSIDIZATION OF LARGE, DIVERSIFIED EC CORPORATIONS FLY IN THE FACE OF TRADE AND INVESTMENT LIBERALIZATION POLICIES WHICH HAVE FOR YEARS BEEN OUR GOAL IN U.S.-EUROPEAN ECONOMIC RELATIONS. PROPOSED LIMITATIONS OF U.S. FIRMS TO MINORITY POSITIONS IN U.S./EUROPEAN JOINT VENTURES ALSO SEEMS TO BE IN DIRECT CONFLICT WITH ARTICLE 58 OF THE ROME TREATY, WHICH PROVIDES FOR EQUAL TREATMENT FOR ALL COMPANIES INCORPORATED IN AN EC MEMBER STATE, IRRESPECTIVE OF THE NATIONALITY OF THEIR SHAREHOLDERS.
2. ALTHOUGH SIMILAR POLICIES HAVE BEEN ACTIVELY PURSUED IN VARYING SCOPE AND DEGREE BY FRANCE, GERMANY AND THE U.K., ADOPTION OF SUCH POLICIES ON EC-WIDE BASIS WOULD RESULT IN EXPANSION OF NON-TARIFF BARRIERS TO U.S. EXPORTS AS WELL AS UNJUSTIFIABLE DISCRIMINATION AGAINST U.S. COMPANIES PRODUCING COMPUTERS IN EUROPE. WE ALSO CONCERNED THAT DRAFT COMPUTER PLAN MAY SERVE AS PATTERN FOR POLICIES IN OTHER QUOTE PROBLEM SECTORS UNQUOTE, SUCH AS AIRCRAFT AND HEAVY MACHINERY, REFERRED TO IN RECENT EC MEMORANDUM ON INDUSTRIAL POLICY.
3. WHILE WE RESERVE FINAL JUDGMENT PENDING DEVELOPMENT BY THE COMMISSION OF A DEFINITE PROPOSAL FOR COUNCIL ACTION, GENERALLY FAVORABLE REACTION OF MEMBER COUNTRIES TO DRAFT MEMORANDUM SEEMS TO INDICATE THAT FINAL PROPOSALS MAY NOT BE SUBSTANTIALLY MORE LIBERAL THAN CURRENT DRAFT. CONSEQUENTLY, AN EFFORT WHOULD BE MADE NOW TO INITIATE DISCUSSIONS WITH THE COMMISSION, WITH OBJECTIVE OF INFLUENCING THE OUTCOME OF POLICY FORMULATION IN COMPUTER SECTOR.
4. ACTION REQUESTED: USEC BRUSSELS--MISSION IS REQUESTED TO EXPRESS TO APPROPRIATE COMMISSION OFFICIALS U.S. CONCERN ABOUT LIMITED OFFICIAL USE

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PAGE 03 STATE 146948

EMERGING EC COMPUTER POLICY. IF MISSION WISHES TO AVOID DISCLOSING OUR POSSESSION OF DRAFT, IT MAY EXPLAIN ITS APPROACH BY CITING SPATE OF RECENT PRESS ARTICLES CONCERNING EC COMPUTER POLICY, E.G., EUROPE BULLETIN, MARCH 3, 1973, AND MAY 30; L'EXPRESS, JUNE 11-17; LE MONDE, JUNE 9; TIME, JULY 2; AND ELECTRONIC NEWS, JULY 2. IF THIS OPTION IS FOLLOWED, THE MISSION SHOULD CONSIDER COMMENTS IN PARAGRAPHS 1 THROUGH 3 ABOVE AS BACKGROUND, AND BASE DISCUSSIONS WITH EC OFFICIALS ESSENTIALLY

ON THE FOLLOWING POINTS.

5. GOVERNMENT PROCUREMENT--USG IS CONCERNED THAT EC APPARENTLY ENVISAGES USE OF GOVERNMENT PROCUREMENT AS A POLICY TOOL TO REDUCE SHARE OF EUROPEAN MARKETS HELD BY U.S. COMPANIES. SUCH POLICY WOULD ADVERSELY AFFECT OUR TRADE AND INVESTMENT RELATIONSHIPS WITH EC AT A TIME WHEN TRADING NATIONS ARE COMMITTED TO MUTUAL LIBERALIZATION OF TRADE AND INVESTMENT. IF EC PLANS TO EXTEND RESTRICTIVE GOVERNMENT PROCUREMENT POLICIES PRACTICED BY SOME MEMBER COUNTRIES TO COMMUNITY AS A WHOLE, THE U.S. WOULD CONSIDER THIS A NEW RESTRICTION ON U.S. TRADE. AS EC KNOWS, U.S. STRONGLY BELIEVES IN DESIRABILITY OF DEVELOPING A CODE ON GOVERNMENT PROCUREMENT WITHIN OECD IN ORDER TO ASSURE THAT INTERNATIONAL TRADE PRACTICES IN THIS FIELD ARE FAIR TO ALL.

6. SUBSIDIES--SUBSIDIZATION OF FIRMS COOPERATING IN PROPOSED COMPUTER POLICY WOULD COME UNDER ARTICLE XVI OF THE GATT, ESPECIALLY PROVISIONS OF PARAGRAPH 1 CONCERNING NOTIFICATION AND CONSULTATIONS WITH A VIEW TO LIMITING SUBSIDIES WHICH OPERATE DIRECTLY OR INDIRECTLY TO INCREASE EXPORTS OR TO REDUCE IMPORTS. IN ADDITION, SUBSIDIES AS WELL AS OTHER FEATURES OF THE PROPOSED COMPUTER POLICY WOULD IMPAIR GATT CONCESSIONS OBTAINED BY U.S. IN PAST TARIFF NEGOTIATIONS.

7. MTN--PROPOSED COMPUTER POLICY SEEMS INCONSISTENT WITH EC'S DECLARED INTENT TO REDUCE TRADE BARRIERS THROUGH MULTILATERAL TRADE NEGOTIATIONS.

8. MISSION SHOULD POINT OUT THAT THE U.S. VIEWS ARE PRELIMINARY; THAT WE EXPECT TO KEEP MATTER UNDER REVIEW AND TO DISCUSS COMPUTER POLICY FURTHER WITH THE COMMISSION AS DEVELOPMENTS REQUIRE. WE HOPE EC WILL TAKE OUR VIEWS INTO CONSIDERATION IN FORMULATING COMPUTER POLICY. WE EXPECT THAT COMMISSION WILL KEEP US INFORMED OF ITS PLANS IN THIS AREA.

9. USEC BRUSSELS AND INFO POSTS: WE WOULD APPRECIATE RECEIVING CONTINUED REPORTING ON DEVELOPMENTS AS THEY OCCUR. REPORTING SHOULD INCLUDE INDUSTRY AND USER REACTIONS TO PROPOSED POLICY. LIMITED OFFICIAL USE

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PAGE 04 STATE 146948

OF PARTICULAR IMPORTANCE IS ANY INFORMATION POSTS CAN REPORT AS TO OFFICIAL MEMBER GOVERNMENT POLICIES TOWARD THE DRAFT AS CURRENTLY CONSTRUCTED. SPECIFICALLY, DOES APPARENTLY POSITIVE MEMBER GOVERNMENTS REACTION TO DRAFT REFLECT POLICY LEVEL GOVERNMENT VIEWPOINT OR UNOFFICIAL VIEWS OF WORKING LEVEL INDUSTRY AND GOVERNMENT TECHNICAL SPECIALISTS? ROGERS

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